盛源控股有限公司
SHENG YUAN HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)
(Stock Code: 851)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of directors (the "Directors", collectively referred to as the "Board") of Sheng Yuan Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 HK$'000 (unaudited)	30 June 2013 HK$'000 (unaudited)
Revenue	3	**190,288**	42,421
Other income		**10**	2
Purchase of inventories for trading business		**(186,873)**	(39,631)
Salaries, commission and related benefits		**(29,025)**	(14,727)
Depreciation		**(540)**	(739)
Finance costs		**(431)**	(194)
Other expenses		**(7,969)**	(7,253)
Change in fair value of derivative financial instrument		**350**	–
Change in fair value of held for trading investments		**287**	–
Loss before taxation		**(33,903)**	(20,121)
Taxation	4	**11**	–
Loss for the period	5	**(33,892)**	(20,121)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operation that may be subsequently reclassified to profit or loss		**(210)**	19
Total comprehensive expense for the period attributable to owners of the Company		**(34,102)**	(20,102)
Loss per share	7		
Basic and diluted		**HK$(0.02)**	HK$(0.01)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*8*	**2,485**	2,972
Trading rights		**3,322**	3,322
Statutory deposits		**1,730**	1,705
Derivative financial instrument		**350**	–
		7,887	7,999
Current assets			
Trade and other receivables and prepayments	*9*	**15,338**	45,749
Held for trading investments	*10*	**28,523**	–
Bank balances (trust and segregated accounts)		**108,866**	7,171
Bank balances (general accounts) and cash		**52,988**	58,485
		205,715	111,405
Current liabilities			
Trade and other payables and accruals	*11*	**108,277**	18,550
Obligations under finance leases – due within one year		**37**	37
Tax liabilities		**151**	236
Loan from a shareholder		**10,000**	30,000
		118,465	48,823
Net current assets		**87,250**	62,582
Total assets less current liabilities		**95,137**	70,581
Capital and reserves			
Share capital		**161,661**	161,201
Share premium and reserves		**(93,949)**	(90,653)
		67,712	70,548
Non-current liabilities			
Obligations under finance leases – due after one year		**13**	33
Convertible notes		**27,412**	–
		27,425	33
		95,137	70,581

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company								
	Share capital	Share premium	Shareholder's contribution	Currency translation reserve	Share option reserve	Capital redemption reserve	Convertible notes reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014 (audited)	**161,201**	**174,173**	**7,834**	**93**	**16,233**	**477**	**–**	**(289,463)**	**70,548**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(33,892)**	**(33,892)**
Exchange difference arising on translation of financial statements of foreign operations	**–**	**–**	**–**	**(210)**	**–**	**–**	**–**	**–**	**(210)**
Total comprehensive expense for the period	**–**	**–**	**–**	**(210)**	**–**	**–**	**–**	**(33,892)**	**(34,102)**
Equity settled share-based payment	**–**	**–**	**–**	**–**	**11,795**	**–**	**–**	**–**	**11,795**
Shares issued upon exercise of share options	**460**	**1,904**	**–**	**–**	**(685)**	**–**	**–**	**–**	**1,679**
Lapsed of share options	**–**	**–**	**–**	**–**	**(3,255)**	**–**	**–**	**3,255**	**–**
Recognition of equity component of convertible notes	**–**	**–**	**–**	**–**	**–**	**–**	**17,792**	**–**	**17,792**
At 30 June 2014 (unaudited)	**161,661**	**176,077**	**7,834**	**(117)**	**24,088**	**477**	**17,792**	**(320,100)**	**67,712**
At 1 January 2013 (audited)	161,201	174,173	7,834	26	15,535	477	–	(254,473)	104,773
Loss for the period	–	–	–	–	–	–	–	(20,121)	(20,121)
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	19	–	–	–	–	19
Total comprehensive income (expense) for the period	–	–	–	19	–	–	–	(20,121)	(20,102)
Lapsed of share options	–	–	–	–	(1,711)	–	–	1,711	–
At 30 June 2013 (unaudited)	161,201	174,173	7,834	45	13,824	477	–	(272,883)	84,671

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The Company is an investment holding company. Its subsidiaries are principally engaged in trading business, provision of securities brokerage and financial services and asset management services. The Group has operation mainly in Hong Kong.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

Financial instruments

Financial assets

Financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Convertible notes

The component parts of the convertible notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the group entities' own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible notes, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

In addition, in the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities;
- Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to HKAS 36 Recoverable Amount Disclosures for Non-financial Assets;
- Amendments to HKAS 28 Novation of Derivatives and Continuation of Hedge Accounting; and
- HK(IFRIC) – Int 21 Levies.

The application of the above new interpretation and amendments to HKFRSs, in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the board of directors for the purposes of resource allocation and performance assessment are as follows:

1. Trading business, including chemical products and energy and mineral products.
2. Securities brokerage and financial services.
3. Asset management services.

Information regarding the above reportable and operating segments is reported below.

	Trading business Six months ended		Securities brokerage and financial services Six months ended		Asset management services Six months ended		Total Six months ended	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
REVENUE								
External sales	**187,013**	39,781	**2,222**	1,647	**1,053**	993	**190,288**	42,421
Inter-segment sales	**–**	–	**27**	–	**–**	3,001	**27**	3,001
Segment revenue	**187,013**	39,781	**2,249**	1,647	**1,053**	3,994	**190,315**	45,422
Elimination							**(27)**	(3,001)
Group revenue							**190,288**	42,421
RESULTS								
Segment results	**(886)**	(296)	**(4,816)**	(4,351)	**(4,028)**	(1,696)	**(9,730)**	(6,343)
Other income							**1**	2
Corporate expenses							**(12,585)**	(13,605)
Share options expense							**(11,795)**	–
Finance costs							**(431)**	(175)
Change in fair value of derivative financial instrument							**350**	–
Change in fair value of held for trading investments							**287**	–
Loss before taxation							**(33,903)**	(20,121)

Segment results represent the financial results of each segment without allocation of certain other income, corporate expenses, share options expense, certain finance costs, change in fair value of derivative financial instrument and change in fair value of held for trading investments. This is the measure reported to the board of directors for the purposes of resources allocation and performance assessment.

The following is an analysis of the Group's assets by reportable and operating segment:

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Segment assets:		
Trading business	**7,299**	438
Securities brokerage and financial services	**119,153**	51,312
Asset management services	**205**	5,794
Total segment assets	**126,657**	57,544
Bank balances (general accounts) and cash	**52,988**	58,485
Other assets	**33,957**	3,375
Consolidated total assets	**213,602**	119,404
Segment liabilities:		
Trading business	**134**	40
Securities brokerage and financial services	**107,608**	16,760
Asset management services	**52**	193
Total segment liabilities	**107,794**	16,993
Tax liabilities	**151**	236
Loan from a shareholder	**10,000**	30,000
Other liabilities	**27,945**	1,627
Consolidated total liabilities	**145,890**	48,856

4. TAXATION

Amount for the six months ended 30 June 2014 represents the overprovision of Hong Kong Profits Tax in previous years.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months ended 30 June 2013 and 30 June 2014 as the Company and its subsidiaries had no assessable profits arising in Hong Kong during the period. Hong Kong Profits Tax is charged at 16.5% of the estimated assessable profit for the six months ended 30 June 2013 and 30 June 2014.

No provision for Enterprise Income Tax of the People's Republic of China (the "PRC") has been made in the condensed consolidated financial statements for the six months ended 30 June 2013 and 30 June 2014 as the subsidiary in the PRC had incurred tax loss for the period. Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% for current and prior interim periods.

5. LOSS FOR THE PERIOD

The Group's loss for the period has been arrived at after charging:

	Six months ended	
	30 June	30 June
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Staff costs (including directors remuneration)		
Salaries and allowances and benefits	**16,636**	14,274
Retirement benefit scheme contribution	**594**	453
Share options expense	**11,795**	–

6. DIVIDEND

No dividend was paid, declared or proposed during the six months period ended 30 June 2013 and 30 June 2014. The directors do not recommend the payment of an interim dividend.

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30 June	30 June
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per share	**(33,892)**	(20,121)

	Number of shares	
	30 June	30 June
	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,612,728,933**	1,612,012,911

The computation of diluted loss per share for the current and prior interim periods does not assume conversion of the convertible notes and the exercise of share options since the conversion and exercise would result in a decrease in loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment at an aggregate cost of approximately HK$53,000 (six months ended 30 June 2013: HK$52,000).

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2014 *HK$'000* **(unaudited)**	31 December 2013 *HK$'000* (audited)
Trade receivables from trading business	**130**	–
Trade receivables arising from the business of securities brokerage		
– Cash clients	**22**	–
– Hong Kong Securities Clearing Company Limited ("HKSCC")	**–**	7,588
	22	7,588
Loans to securities margin clients	**5,526**	29,609
Trade receivables from asset management services	**204**	5,683
Other receivables and prepayments	**9,456**	2,869
	15,338	45,749

As at 30 June 2014 and 31 December 2013, all trade receivables from trading business and business of securities brokerage were aged within 30 days.

The Group allows a credit period of 90 days to its trading customers from trading business. The settlement terms of trade receivables arising from the business of securities brokerage are usually one to two days after the trade date.

The Group offsets certain trade receivables and trade payables when the Group currently has a legally enforceable right to set off the balances and intends either to settle on a net basis, or to realise the balances simultaneously.

Loans to securities margin clients are repayable on demand and bear interest from 8% to 11% (31 December 2013: 8% to 13%) per annum. In the opinion of the directors of the Company, no aged analysis is disclosed as the aged analysis does not give additional value. The loans are secured by pledged marketable securities at fair value of approximately of HK$60,084,000 (31 December 2013: HK$201,227,000). The average percentage of collateral over the outstanding balance as at 30 June 2014 ranged from 278% to 5082% (31 December 2013: from 193% to 1778%). The fair value of pledged marketable securities of each individual margin client is higher than the corresponding outstanding loan. The Group is permitted to sell or repledge the marketable securities if the customer defaults payments.

The Group does not provide any credit term to its asset management services clients. The aged analysis of trade receivables arising from these clients based on invoice date is as follows:

Trade receivables from asset management services

	30 June 2014 *HK$'000* **(unaudited)**	31 December 2013 *HK$'000* (audited)
0 to 30 days	**157**	5,640
31 to 60 days	**11**	13
61 to 90 days	**26**	30
Over 90 days	**10**	–
	204	5,683

10. HELD FOR TRADING INVESTMENTS

	30 June 2014 *HK$'000* **(unaudited)**	31 December 2013 *HK$'000* (audited)
Held for trading investments include:		
Listed equity securities in Hong Kong, at fair value	**18,218**	–
Investment fund in Hong Kong, at fair value	**10,305**	–
	28,523	–

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2014 *HK$'000* **(unaudited)**	31 December 2013 *HK$'000* (audited)
Trade payables arising from the business of securities brokerage and financial services		
– cash clients	**93,915**	14,346
– futures clients	**–**	304
– HKSCC	**12,918**	–
	106,833	14,650
Amounts due to securities margin clients	**157**	12
Other payables and accruals	**1,287**	3,888
	108,277	18,550

The settlement term of trade payables arising from the business of securities brokerage and financial services is two days after the trade date and aged within 30 days. Included in the trade payables of cash and futures clients arising from the business of securities brokerage and financial services, amount of HK$93,608,800 (31 December 2013: HK$14,284,000) bears prevailing market deposit rate at 0.001% (31 December 2013: 0.001%) per annum.

Amounts due to securities margin clients are repayable on demand and interest free. In the opinion of the directors of the Company, no aged analysis is disclosed for amounts due to securities margin clients as the aged analysis does not give additional value.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the six months ended 30 June 2014 (the "Interim Period"), revenue of the Group substantially increased to HK$190.3 million, as compared with approximately HK$42.4 million for the six months ended 30 June 2013 (the "Comparable Period"), which was largely attributable to an increase in revenue generated from the trading business during the Interim Period. Loss for the Interim Period was approximately HK$33.9 million, as compared with approximately HK$20.1 million of the Comparable Period. The increase in loss as compared with the Comparable Period was mainly attributable to the increase in salaries, commission and related benefits owing to (i) payment of share based payment to a consultant and employees amounting HK$11.8 million and (ii) higher staffing costs incurred of approximately HK$2.5 million.

During the Interim Period, the financial services group of the Company has undergone significant changes. On 9 April 2014, Sheng Yuan Financial Services Group Limited ("SYFS"), a direct wholly-owned subsidiary of the Company, entered into a subscription agreement with the several subscribers, pursuant to which the subscribers conditionally agreed to subscribe for and SYFS conditionally agreed to issue the convertible notes at an aggregate consideration of HK$45 million (the "Convertible Notes"). Upon full conversion of the Convertible Notes at the conversion price, a total of 4,500 conversion shares of SYFS (the "Conversion Shares") will be issued, representing approximately 81.8% of the existing issued share capital of SYFS and 45% of the issued share capital of SYFS as enlarged by the issue of the Conversion Shares. Upon full conversion of the Convertible Notes, the Company's equity interest in SYFS will be reduced to approximately 55% and SYFS will become a non-wholly-owned subsidiary of the Company.

The above transaction was completed in June 2014. Upon completion, two subscribers, namely WisePublic Holdings Limited and Li Gang (the "Guarantors") (who hold Convertible Notes with an aggregate amount of HK$25 million) executed and delivered to SYFS and the Company the deed of profit guarantee, pursuant to which, the Guarantors guaranteed that the audited consolidated profits, or where applicable, the accumulated audited consolidated profits after taxation of the SYFS group for each of (i) the financial year ending 31 December 2014, (ii) the two financial years ending 31 December 2015 and (iii) the three financial years ending 31 December 2016 shall be not less than zero, HK$20,000,000 and HK$50,000,000, respectively. Furthermore, Ms. Zhang Xiaomei, Mr. Wang Shengkun and Mr. Chen Bai Cao, being the directors of WisePublic Holdings Limited, joined as the management of the SYFS group.

With the new management introduced and further strengthen the capital base of financial services group after the completion of the above transaction, the Group will continue to expand the securities brokerage and asset management services businesses by enlarging its client's base and set up more new private funds. Since the securities brokerage was still under development and the revenue merely from securities trading and margin loan financing, therefore, under the keen competition within the industry, the revenue from the securities brokerage business was only approximately HK$2.2 million for Interim Period (the Comparable Period: approximately HK$1.6 million) and the segment loss was approximately HK$4.8 million during the Interim Period (Comparable Period: approximately HK$4.4 million).

For asset management, in April 2014, one major fund holder of Sheng Yuan China Growth Fund (the "Fund") served a redemption notice to redeem their investment in the Fund. The operating results of the asset management segment has been negatively affected. The remaining fund holder has also served the redemption notice to redeem his investment in July 2014 and the fund is undergoing liquidation now. The effect will be reflected in the performance of the asset management segment in the second half of 2014. As part of the compensation for the loss on the redemption, in May 2014, Sheng Yuan Asset Management Limited has been engaged as the investment manager with a new investment fund. For the Interim Period, the revenue for the asset management business was approximately HK$1.0 million (the Comparable Period: approximately HK$1.0 million) while segment loss increased to approximately HK$4.0 million for the Interim Period from approximately HK$1.7 million for the Comparable Period.

In order to provide a new stream of income for financial business, the Group also commenced the proprietary trading business in June 2014 and mainly invested in listed shares in Hong Kong secondary market and private investment fund. The contribution/gain from proprietary trading business for the Interim Period was approximately HK$287,000 represented by the change in fair value of held for trading investments in the financial statements.

In order to expand and improve the operations of trading business, the Group has explored more business opportunities by seeking trading on other attractive products like energy and mineral products. To cope with the expansion of the trading business, the Group has set up an office in Shenzhen. However, the sales volume for such products is huge but the sale margin is rather slim. Therefore, revenue and segmental loss for trading business for the Interim Period were approximately HK$187.0 million and HK$0.9 million respectively (Comparable Period: HK$39.8 million and HK$0.3 million respectively).

Prospects

For financial services group, securities brokerage and asset management services are still the main core businesses and the Group will continue to enlarge its client's base in order to reach a sufficient scale of operations. In additions, the Group plans to diversify its financial products and services by including the distribution of note/bond, placement of shares, fund distribution, investment consulting, personal wealth management service, financing matchmaking and etc. in future. In order to match the growing market for institutional investors, the Group will build up a more comprehensive financial platform to capture the opportunities. The Group will also formulate more feasible plans in order to explore more sources of income for financial services group. Furthers, the Group will continue to recruit more talented staff to improve the structure of the financial services group.

As the economy of US and European countries is in gradual recovery and the commodity index is in upward trend, the Group will seek opportunities for trading business by introducing more new products for trading. The Group is also developing its marketing network in this field, together with the economic reform and the establishment of trade zone in PRC, the Group hope to become more competitive and strengthen its trading platform.

To enhance our operations and explore the business opportunities of our trading business, the Company and Rotaland Limited (the "Consultant") entered into a consultancy agreement (the "Consultancy Agreement") on 19 June 2014, pursuant to which the Company engaged the Consultant to provide marketing and introduction services advice and guidance to support the Group's business expansion and development (the "Consultancy Services") for a fixed term of three years. As consideration for the Consultancy Services, the Company has conditionally granted to the Consultant an option, at a nominal consideration of HK$1.00, to subscribe for a total of 70,000,000 Shares at an exercise price of HK$0.50 per option share exercisable from the date of the Consultancy Agreement up to the third anniversary of the date of the Consultancy Agreement upon the achievement of certain performance target by a subsidiary of the Company. Details of the Consultancy Agreement are set out in the announcement of the Company dated 19 June 2014.

To further diversify our business of the Group, on 12 June 2014, Sheng Yuan Resources Limited ("Sheng Yuan Resources"), wholly-owned subsidiary of the Company, entered into (i) a memorandum of understanding with Guangdong Zhenrong Energy Co., Ltd. ("Guangdong Zhenrong") pursuant to which Sheng Yuan Resources intends to acquire and Guangdong Zhenrong and/or its subsidiary intends to sell part or all of its equity interests in Xin Hua Merchandising Exchange ("XHME") and (ii) a memorandum of understanding with World Tycoon Limited ("World Tycoon") pursuant to which Sheng Yuan Resources intends to acquire and World Tycoon intends to sell part or all of its equity interests in XHME. The memoranda of understanding do not constitute any legally binding commitments for the parties to enter into the proposed transaction. XHME is a merchandise exchange company established under the laws of the PRC on 11 November 2011 and approved by the Department of Commerce of Heilongjiang Province, the PRC.

The Group will continue to strengthen and improve the operations of existing businesses and seek suitable business opportunities for new business with aim to provide a healthy return to shareholders of the Company.

Acquisitions and Disposals

There was no material acquisition or disposal during the Interim Period.

Liquidity and Financial Resources

As at the end of the Interim Period, cash and bank balances in general accounts and maintained by the Group were approximately HK$53.0 million, as compared with approximately HK$58.5 million as at 31 December 2013. Bank balances in trust and segregated accounts were approximately HK$108.9 million (31 December 2013: approximately HK$7.2 million). Trade and other receivables and prepayments have decreased from approximately HK$45.7 million to approximately HK$15.3 million, which was due to decrease in loan to securities margin clients. Held for trading investments was approximately HK$28.5 million (31 December 2013: nil). Trade and other payables and accruals have increased from approximately HK$18.6 million to approximately HK$108.3 million, which was largely attributable to increase in the trade payable from securities brokerage. At the end of the Interim Period, the Group had an outstanding loan from a major shareholder at HK$10.0 million (31 December 2013: HK$30.0 million), which was recorded in the Group's current liabilities.

As a result of all of the above, the Group's current assets and current liabilities as at the end of the Interim Period were approximately HK$205.7 million (31 December 2013: HK$111.4 million) and approximately HK$118.5 million (31 December 2013: HK$48.8 million) respectively. The Group has no bank borrowings as at 30 June 2014. The gearing of the Group, measured as total debts to total assets, remained healthy at approximately 17.5% as at the end of the Interim Period (31 December 2013: 25.1%). At the end of the Interim Period, the Group recorded net assets of approximately HK$67.7 million as compared with approximately HK$70.5 million as at 31 December 2013. During the Interim Period, the Group financed its operation with internally generated cash flow and funds from the proceeds from subscription of Convertible Notes.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in Hong Kong dollars and Renminbi. Foreign exchange exposure of the Group is considered minimal as the exchange rate of Renminbi against Hong Kong dollars were relatively stable during the Interim Period. Therefore, the Group has not engaged in any hedging contracts during the Interim Period. The Group will from time to time review and monitor exchange risks, and consider employing foreign exchange hedging arrangements when appropriate and necessary.

Capital Structure

During the Interim Period, 4,600,000 shares of the Company were issued by exercise of share options.

Contingent Liabilities

As at 30 June 2014, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 30 June 2014, the obligations under finance leases of approximately HK$50,000 were pledged by the assets with carrying amount of HK$88,000.

Employees and Remuneration Policies

As at 30 June 2014, the Group employed approximately 46 employees. The remuneration policy and package of the Group's employees are maintained at market level and are reviewed annually by management. In addition to basic salary, discretionary bonuses, mandatory pension fund and medical insurance scheme, share options may also be granted to eligible employees at the discretion of the Board and are subject to the performance of the individual employees as well as the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Interim Period, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the Interim Period except the following deviation:

Under the Code provision A2.1 stipulates that the role of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. Although the Company does not have a Chairman, all major decisions are made in consultation with the Board members and the senior management of the Company. There are three Independent Non-Executive Directors in the Board. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company.

Under the Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Xu Guocai, a non-executive Director; Mr. Qi Wenju, an independent non-executive Director and Mr. Cheung Kwok Keung a former independent non-executive Director were unable to attend the annual general meeting of the Company held on 25 April 2014 due to their unavoidable business engagement. Mr. Xu Guocai, a non-executive Director and Mr. Qi Wenju, an independent non-executive Director were unable to attend the special general meeting of the Company held on 6 June 2014 due to their unavoidable business engagement.

Under the Code provision E.1.2, the chairman of the board should attend the annual general meeting. However, in the annual general meeting held on 25 April 2014, Ms. Lin Min, our former chairman, was unable to attend the meeting as she had other business commitments. She appointed Mr. Wu Siu Lam, William, an executive Director and chief executive officer of the Company, to chair the meeting on her behalf.

CHANGES OF DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors subsequent to the date of the 2013 Annual Report are set out below:

Name of Directors	Details of the changes
Ms. Lin Min	retired by rotation as executive Director according to the bye-laws of the Company and did not offer herself for re-election due to her personal development and also ceased to be the chairlady of the Company and the nomination committee of the Company on 25 April 2014.
Ms. Kwong Wai Man, Karina	resigned as an executive Director, the chief financial officer of the Company and the authorised representative of the Company on 1 August 2014 due to her personal development.
Ms. Cheng Kit Sum, Clara	was appointed as an executive Director on 1 June 2014 and further appointed as the chief financial officer and the authorized representative of the Company on 1 August 2014.
Mr. Cheung Kwok Keung	retired by rotation as independent non-executive Director according to the bye-laws of the Company and did not offer himself for re-election in order to focus on his other business engagement and also ceased to be the chairman of the audit committee and remuneration committee of the Company and a member of the nomination committee of the Company on 25 April 2014.
Mr. Lo Ka Wai	an independent non-executive Director, has been appointed as the members of the audit committee, remuneration committee and nomination committee of the Company on 5 March 2014 and also appointed as the chairman of the audit committee of the Company on 25 April 2014.
Mr. Qi Wenju	an independent non-executive Director, has been appointed as the chairman of the nomination committee of the Company on 25 April 2014.
Mr. Wu Fred Fong	an independent non-executive Director, has been appointed as the members of the audit committee, remuneration committee and nomination committee of the Company on 1 March 2014 and also appointed as the chairman of the remuneration committee of the Company on 25 April 2014.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company currently comprises Mr. Lo Ka Wai (Chairman), Mr. Qi Wenju and Mr. Wu Fred Fong, all of whom are independent non-executive Directors with appropriate professional qualifications and experience in financial matters. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters. The interim results and the unaudited financial statements for the six months ended 30 June 2014 have been reviewed by the audit committee.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established, with specific terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The remuneration committee is responsible for making recommendations to the Board on the Company's policy and packages of employment for the Directors and senior management. It comprises three independent non-executive Directors. The present members are Mr. Wu Fred Fong (Chairman), Mr. Lo Ka Wai and Mr. Qi Wenju.

NOMINATION COMMITTEE

The nomination committee of the Company was established, with specific term of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The nomination committee is required, amongst other things, to review the structure, size and composition of the Board and make recommendations for changes as necessary, to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships, to assess the independence of independent non-executive Directors, and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer. It comprises three independent non-executive Directors. The present members are Mr. Qi Wenju (Chairman), Mr. Lo Ka Wai and Mr. Wu Fred Fong.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code of the Listing Rules as a code of conduct of the Company for directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the Interim Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Company (www.shengyuan.hk) and the Stock Exchange (www.hkexnews.hk). The interim report for the six months ended 30 June 2014 of the Company containing all information required by the Listing Rules will be dispatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
Sheng Yuan Holdings Limited
Wu Siu Lam, William
Executive Director and Chief Executive Officer

Hong Kong, 26 August 2014

As at the date of this announcement, the Board consists of Mr. Wu Siu Lam, William and Ms. Cheng Kit Sum, Clara (all being executive Directors), Mr. Xu Guocai (being non-executive Director), Mr. Lo Ka Wai, Mr. Qi Wenju and Mr. Wu Fred Fong (all being independent non-executive Directors).